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Another Cause of Food Shortages

In the absence of the quarterly report, we offer some other interesting information that has come from Soviet sources.

Everyone has been commenting lately on the growing number of shortages in the Soviet economy. It turns out that one of the reasons for these shortages is that more and more goods are being classified as "rejects" because of their poor quality. It turns out that there is a tendency to increase that share of rejected merchandise. The reason for that is that once a product is rejected, the managers of the enterprise can then resell the material on their own and keep the profits. The following table shows how the percentage of goods rejected has been increasing sharply, particularly in 1989. Thus approximately 32% of the eggs submitted for sale were rejected during the first nine months of 1989. That compares to only 22% rejected in all of 1985. The contrast is even greater in the case of margarine; in the first nine months of 1989, 29% of the amount of margarine submitted was rejected, compared to only 8% in 1985. In the republic of Tadzhikistan, 23-37% of all the meat and poultry offered for sale was rejected for the same reasons.

Rejected and Substandard Production
(% of approved quality production)

	1985	1986	For the 9 months 1988	For the 9 months 1989
Meat	4.7	6.5	5.8	9.2
Sausage	4.2	6.8	6.4	14.6
Fish products	7.1	10.0	9.5	14.8
Butter	3.9	3.6	3.9	4.2
Margarine	8.2	11.6	11.2	28.5
Milk*	3.1	4.4	4.4	8.6
Cheese	4.7	6.8	6.3	12.4
Sugar	5.9	8.1	8.7	8.3
Eggs	22.0	27.1	26.5	31.6
Candy	5.4	6.8	6.4	12.3
Bread**	4.6	5.8	5.5	15.0
Canned meat	5.2	3.2	3.3	3.6
Canned fruit & vegetables	10.3	10.9	11.1	12.5
Canned fish	5.6	9.9	9.5	12.5
Non-alcoh.	13.5	16.1	15.1	16.7

* and milk products
** and bread products

Notice to Arden House Participants:

We apologize for the confusion regarding the LaGuardia bus. It will pick up at the Trump Shuttle terminal, not Pan Am.

Public Attitudes Toward Cooperatives and Private Trade

The soviet authorities have been conducting surveys about public attitudes toward cooperatives and private trade. One hundred and one thousand people were interviewed. The surveys shows that for those people who do not use the services, those responding negatively outnumbered

those responding positively in most republics by a ratio of two to one. It is not true in the republics of Estonia and Armenia, but it is particularly pronounced in the Central Asian republics.

The Soviets have also published some information about the number of cooperatives in existence. As of September 30, 1989, there were approximately 236,000 cooperatives registered, of which 172,000 were actually operating. There were slightly over 4 million pbople working in these cooperatives. Sales receipts totalled 2.6 billion rubles.

ARDEN HOUSE 1990

The theme for the 1990 Arden House Conference on American-Soviet Relations will be "Gorbachev: The First Five Years." The conference is scheduled for April 6-8, 1990 and will be held at Arden House, the former country estate of Ambassador Averell Harriman.

Sponsored jointly by Harvard's Russian Research Center and the Harriman Institute of Columbia University, the Arden House conference is one of the premier conferences examining American-Soviet relations. Now in its fourteenth year, the conference attracts participants in the fields of business, govenment, education and research from throughout the world.

This year's conference panels are quite diverse and include: democratization, foreign policy, economic performance, joint ventures, ruble convertibility, congressional views, the waiver of Jackson-Vanik, and Eastern Europe. Confirmed panelists include Adam Ulam, Director of the Russian Research Center; Robert Legvold, Director of the Harriman Institute;

Attitudes Toward Cooperatives and Private Trade (101,000 people surveyed)

	All Respondents		Of those using coop and private trade services	
	Positively	Negatively	Postitively	Negatively
USSR	14.7	29.4	25.3	19.0
RSFSR	14.4	29.6	23.2	19.9
Ukraine	15.0	31.0	26.8	19.1
Belorussia	14.2	28.0	28.0	18.8
Uzbekistan	9.5	30.2	18.4	24.3
Kazakstan	14.0	30.4	25.0	19.2
Georgia	14.5	23.7	34.4	10.0
Azerbaidjan	22.3	22.8	41.2	14.7
Lithuania	14.8	22.7	26.7	10.7
Moldavia	13.7	35.1	27.5	24.2
Latvia	21.9	18.1	34.1	9.5
Kirgizia	15.3	26.8	27.9	18.3
Tadjikistan	10.6	23.5	22.4	17.3
Armenia	27.8	18.3	48.9	10.9
Turkmenistan	8.9	40.2	19.7	32.4
Estonia	30.1	7.8	43.3	53.4

Timothy J. Colton, Professor of Government, Harvard; Walter D. Connor, Professor of Political Science, Boston University; Alexander Vershbow, Director, Office of Soviet Union Affairs, U.S. Department of State; Marshall Goldman, Associate Director of the Russian Research Center; Rick Ericson, Professor of Economics, Columbia; Jeffrey Sachs, Professor of Economics, Harvard Univ.; George Cohon, McDonald's Canada; Congressman Les AuCoin; Congressman Stephen Solarz; Dennis Kloske, U.S. Under Secretary of Commerce for Export Administration; The Honorable Charles A. Vanik; Ambassador Warren Zimmermann, U.S. Ambassador to Yugoslavia; Ambassador Mark Palmer, U.S. Ambassador to Hungary; and Ambassador John R. Davis Jr., U.S. Ambassador to Poland.

The final conference program and application form are enclosed. Please do not hesitate to contact Marshall I. Goldman or Catherine Reed for more information (617) 495-4038.

FOREIGN EXCHANGE RATES
as of February 7, 1990
Quoted in rubles

	Official Rate	"Special" Rate
£100 Sterling	101.59	1015.90
100 Aust. Sch.	5.09	50.90
100 D. Marks	35.83	358.30
100 D. Guilders	31.80	318.00
100 U.S. Dollars	60.10	601.00
100 Fr. Francs	10.54	105.40
1,000 Jap. ¥	4.13	41.30
10,000 It. Lire	4.83	48.30
100 Swiss Frs.	40.46	404.60
100 Nor. Kroner	9.29	92.90
1,000 Bel. Frs.	17.18	171.80
100 Sw. Kronor	9.83	98.30

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Basic Indicators of Cooperative Activity in the First 9 months of 1989

	Number of coops. at end of response period		No. of employees at end of response period		Wage fund and bonuses for workers* (1,000 Rubles)	Earnings from production (1,000 Rubles)
	Registered	Active	All	Incl. persons holding more than one job		
In the USSR including	236,416	171,500	4,029,790	1,455,978	10,767,302.4	25,981,264.3
Production of goods for nat'l consumption	41,682	28,502	657,947	212,030	1,737,461.2	4,536,850.8
Public catering	10,570	6,100	57,220	12,984	86,287.9	369,438.1
Trade	1,878	998	11,877	3,812	31,420.3	286,757.3
Intermediary Trade	10,574	6,973	69,050	17,336	160,348.1	1,491,234.2
Consumer services	45,703	32,790	569,387	206,100	1,259,314.6	2,583,767.3
Scrap and recycling	3,505	2,998	86,073	28,444	292,951.2	682,874.7
Construction	33,614	30,063	1,140,202	313,844	3,536,092.9	6,923,488.3
Architectural Engineering	3,031	2,735	97,820	55,357	304,839.2	462,537.3
Other types of cooperatives	85,859	60,336	1,340,214	606,071	3,358,587.0	8,644,316.3

* including persons holding more than one job